"Prime Capital" LLC
Financial statements
and Independent Auditor's Report
For the year ended 31 December 2020

April 2021
Yerevan

Prime Capital LLC

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Legal Form:	Limited Liability Company
Principal Activities:	Fund Management
Executive Director	Amalya Hakobyan

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INDEPENDENT AUDITOR'S REPORT

To the shareholder of Prime Capital LLC

Opinion

We have audited the accompanying financial statements of "Prime Capital" LLC ("the Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.
We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the management and those charged with governance for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operation, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Among other issues, we inform those charged with governance about the scope and timing of the audit task, as well as significant matters identified during the audit, including significant shortcomings in the internal control system.

28 April 2021
'BDO Armenia" CJSC

Vahagn Sahakyan, FCCA
Managing Partner

Gnel Khachatryan, FCCA
Engagement Partner

"Prime Capital" LLC

Statement of profit or loss and other comprehensive income
for the year ended 31 December, 2020

	Note	2020 AMD'000	2019 AMD'000
Management fee	5	94,715	96,103
Net gain on financial assets at fair value through profit or loss		12,384	21,159
Operating expenses	6	(41,094)	(31,094)
Other gain/(loss), net		(950)	44
Profit before tax		**65,055**	**86,212**
Income tax expense	7	(8,803)	(13,011)
Profit for the year		**56,252**	**73,201**
Other comprehensive income		-	-
Total comprehensive result		**56,252**	**73,201**

The financial statements from pages 5 to 22 were approved by the Management of Prime Capital LLC on 28 April 2021 and signed by:

Amalya Hakobyan
Executive Director

Arthur Harutyunyan
Chief Accountant
«AN Audit» CJSC authorised representative

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«ПРАЙМ КАПИТАЛ»
02624999

"Prime Capital" LLC

Statement of financial position
As at 31 December 2020

	Note	2020 AMD'000	2019 AMD'000
Assets			
Cash and cash equivalents	8	16,255	28,199
Financial assets at fair value through profit or loss	9	171,967	97,965
Property and equipment		2,597	653
Intangible asset	10	3,432	3,832
Deferred tax asset	7	957	813
Other assets	11	4,306	56,477
Total assets		**199,514**	**187,939**
Liabilities			
Income tax payable		5,532	10,137
Provisions	12	5,834	4,500
Other payables		44	518
Total liabilities		11,410	15,155
Equity			
Share capital		80,000	80,000
General reserve		2,800	1,650
Retained earnings		105,304	91,134
Total share capital	13	188,104	172,784
Total liabilities and equity		199,514	187,939

"Prime Capital" LLC

Statement of cash flows
for the year ended 31 December 2020

	Note	2020 AMD'000	2019 AMD'000
Cash flows from operating activities			
Management fee received		148,265	42,538
Proceeds from settlement of financial assets at fair value through profit or loss		(61,726)	10,000
Other operating income		226	-
Profit tax payment		(13,552)	-
Salaries and benefits paid		(18,612)	(12,052)
Other operating expenses paid		(25,325)	(14,951)
Net cash from operating activities		**29,276**	**25,535**
Cash flows from investing activities			
Purchase of property and equipment		(1,150)	(4,611)
Net cash used in investing activities		**(1,150)**	**(4,611)**
Cash flows from financing activities			
Borrowings provided	14	(40,000)	-
Net cash flows from borrowings received		(80)	-
Net cash from financing activities		**(40,080)**	-
Net increase/(decrease) in cash and cash equivalents		(11,954)	20,924
Cash at the beginning of the year		28,199	7,275
Effect of foreign exchange revaluation on cash and cash equivalents		10	-
Cash at the end of the year	8	16,255	28,199

"Prime Capital" LLC

Statement of changes in owners' equity
for the year ended on December 31, 2020

	Share Capital	General Reserve	Retained Earnings	Total
As at 01.01.2020	80,000	1,650	91,134	172,784
Comprehensive income for the year				
Profit for the year	-	-	56,252	56,252
Total comprehensive income for the year	-	-	56,252	56,252
Contribution by and distribution to owners				
Dividends	-	-	(40,932)	(40,932)
Transfer to General reserve	-	1,150	(1,150)	-
Total		1,150	(42,082)	(40,932)
As at 31.12.2020	80,000	2,800	105,304	188,104

	Share Capital	General Reserve	Retained Earnings	Total
As at 01.01.2019	80,000	1,650	17,933	99,583
Comprehensive income for the year				
Profit for the year	-	-	73,201	73,201
Total comprehensive income for the year	-	-	73,201	73,201
As at 31.12.2019	80,000	1,650	91,134	172,784

"Prime Capital" LLC
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For the year ended 31 December 2020

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1. About the Company

"Prime Capital" LLC (Company) is the legal successor of "Prime Capital" Investment LLC. "Prime Capital" Investment" LLC was established in the Republic of Armenia as a limited liability company on November 14, 2013.
The company was re-registered and re-licensed as a fund manager on December 06, 2019(license N 0006). The Company implemented non-public investment fund management activities together with trust management during the year 2020. The company's operations are regulated by the Central Bank of Armenia (CBA).
All the assets and liabilities of the Company are in the Republic of Armenia.
The Company legal address is 7 Argishti Street, Yerevan, Republic of Armenia. The Company sole shareholder is Nerses Sarinian.

The average number of company employees as of 31 December 2020 constitutes 7 person (in 2019 - 6 person).

Armenian business environment

The Company's operations are located in Armenia. Consequently, the Company is exposed to the effects of changes of economic and financial markets of Armenia. Armenia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government. The financial statements reflect the Company's assessment of the impact of the Company's operations on the financial condition of the business environment. The future business environment may differ from management's assessment

Widespread geographical spread of the new type of coronavirus (COVID-19) during the reporting period; its expansion into the territory of the Republic of Armenia, as well as lockdown imposed throughout Armenia from March 16 to April 14 had a significant impact on the Armenian economy. Many companies and individuals are forced to take measures to prevent the epidemic, including travel bans, quarantines, and temporary bans on non-essential services. The Government of the Republic of Armenia has undertaken programs of economic measures in order to neutralize the economic impact of the epidemic. The severity of the epidemic continues to impact as well as the effectiveness of the measures taken to address the problem remain uncertain at this time.

In addition, in 2020 The war unleashed by Azerbaijan against the Artsakh Republic on September 27, 2020, created significant preconditions for political and economic crises, which in turn led to a decrease in the general mood of investors against the dram, an increase in volatility and fluctuations in financial markets.

Such operating environment has a significant impact on the Company financial situation. The Company takes the necessary measures to ensure the stability of the Company's operations, however, due to the unpredictability of developments, the Management does not able to make a reliable assessment of how such circumstances will affect the financial condition of the Company in the coming years.

2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

The principal accounting policies adopted in the preparation of the financial statements are set out in note 18. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in Armenian Drams (AMD), which is also the Company's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates and judgments. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Basis of measurement

The financial statements have been prepared on historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2020

There are no new standards, interpretations and amendments, entered into force from 1 January 2020 and which had significant effect on the Company's financial statements.

b) New standards, interpretations and amendments not yet effective

There were no new standards, interpretations and amendments that are issued but not yet effective that will have or may have an impact on the Company's future financial statements.

3. Critical Accounting Estimates and Judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual outcome may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value measurement

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

- *Level 1:* Quoted prices in active markets for identical items (unadjusted)
- *Level 2:* Observable direct or indirect inputs other than Level 1 inputs
- *Level 3:* Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur.
The Company measures fund units at fair value (Note 9).

4. Financial instruments - Risk Management

The Company is exposed through its operations to the following financial risks:

- Credit risk,
- Fair value or cash flow interest rate risk,
- Liquidity risk.

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.
There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

(a) Principal financial instruments

The principal financial instruments used the Company, from which financial instrument risks arise, are as follows:

- Finasial assets at fair value through profit or loss
- Trade receivables
- Cash and cash equivalents
- Trade payables.

(b) Financial instruments by category

Financial asset

	Fair value measurement		Amortized cost	
	2020 AMD'000	2019 AMD'000	2020 AMD'000	2019 AMD'000
Cash and cash equivalents	-	-	16,255	28,199
Finacial assets at fair value through profit or loss	171,967	97,965	-	-
Trade receivables		-	2,921	56,473
Total	171,967	97,965	19,176	84,672

Financial liabilities

	2020 AMD'000	2019 AMD'000	2020 AMD'000	2019 AMD'000
Trade payables	-	-	44	518
Total	-	-	44	518

(c) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade receivables and trade payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade receivables and trade payables approximates their fair value.

(d) Financial instruments measured at fair value

Financial Instruments fair value hierarchy is presented below

	Level 2	
December 31	**2020 AMD'000**	**2019 AMD'000**
Finacial assets at fair value through profit or loss	171,967	97,965
	171,967	97,965

Appendix A details the fair value hierarchy and significant unobservable inputs relating to valuation techniques that are included in Level 3 of the fair value hierarchy.

During the reporting period there were no changes in the levels. The valuation techniques and significant observable inputs used in determining the fair value of investment property, as well as the primary observable inputs and fair value relationships are presented below.

Financial instrument	Measurement method
Finacial assets at fair value through profit or loss	Units measured at fair value of respective funds as at the reporting date published by the Funds.

There was no change in the valuation technique used to measure the fair value during the reporting period.

Common goals, policies and processes

Company management has overall responsibility for risk management, goals and policies. The management receives monthly reports from the Company's chief accountant, thereby verifying the effectiveness of the processes and compliance with the stated goals and policies.

The management aims to define policies that minimize risk while avoiding the Company's competitiveness and flexibility. Details of this policy are described below.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company bears credit risk primarily on investing activities and bank balances.
The Company seeks to control its credit risks by applying monitored investment strategy as well as reasonable judgement in selection of servicing banking partners. The Company may enter into secured financing transactions such as sale and repurchase agreements or purchase and resale agreements. For secured transactions involving repurchase and resale agreements the Company is permitted to sell or repledge the securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover any short positions.

The Company has policies and procedures for the management of credit exposures (for recognised financial assets and unrecognised contractual commitments).
The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and in unrecognised contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.
As at December 31, 2020 and 2019 credit risk exposure of financial assets are presented in the table below:

	2020 AMD'000	2019 AMD'000
Cash and cash equivalents	16,255	28,199
Finacial assets at fair value through profit or loss	171,967	97,965
Trade receivebles	2,921	56,473
	275,769	182,637

Cash at bank

The Company believes that the risk of cash and cash equivalentsat bank can be deemed as insignificant, since the financial institutions selected for investment of the Company's funds are reliable and authoritative.

Essential amount of cash is kept in financial entities in amounts as follows.

	2020 AMD'000	2019 AMD'000
Bank 1	16,254	28,198
Bank 2	1	1
	16,255	28,199

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The factors which impacts on the position of the cash and cash flows are including investment activities with securities, temps of subscriptions and maturity of shares. The combination of other factors can cause essential fluctuations on cash position of a certain period of time.
The Company's policy is to ensure that it will always have sufficient cash available to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements in reasonable timeframe.
The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

Up to 3 months	31 December 2020 AMD'000	31 December 2019 AMD'000
Trade payables	44	518
	44	518

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balances. The CBA sets and monitors capital requirements for the Company. Under the current capital requirements set by the CBA, investment organizations as at December 31, 2020 have to maintain a minimum share capital of AMD 50,000 thousand (AMD 50,000 thousand on December 31, 2019).

5. Management Fee

	2020 AMD'000	2019 AMD'000
Management fee and bonus from trust management	29,375	96,103
Management fee from investment funds	65,340	-
	94,715	96,103

Company revenue from the trust management services is recognized on a regular basis over the management period based on the remuneration for the management service and the results of that period. Management fees are recognized on the basis of applicable service agreements, as a rule, in time proportions. Asset management fees associated with investments are recorded proportionally during the period.
Company revenue from the fund management services is recognized on quarterly basis and calculated base on net asset values of funds.
The Company typically collects revenue from its trust management services within the month following the quarter.

6. Other operating expenses

	2020 AMD'000	2019 AMD'000
Employee benefit expenses	18,130	15,716
Audit and other consulting services	6,320	7,120
Short-term lease expenses	5,400	5,400
Charity expenses	5,000	-
Office and administrative expenses	4,373	1,731
Communication expenses	733	579
Depreciation and amortization	855	333
Other operating expenses	283	215
	41,094	31,094

7. Income tax

	2020 AMD'000	2019 AMD'000
Current tax		
Current tax expenses		
Current tax expense	8,947	13,041
Compensation for tax loss carried forward	-	(2,904)
	8,947	10,137
Deferred tax		
Origination and reversal of temporary differences	(144)	(30)
Compensation for tax loss	-	2,904
Total deferred tax expense/(income)	(144)	2,874
Total tax expense	8,803	13,011

The reasons for the difference between the actual tax expenses of the year and the profit tax rate in the Republic of Armenia are as follows:

	2020		2019	
	AMD'000	%	AMD'000	%
Profit before tax (IFRS)	65,055		86,212	
Profit tax using the Company's profit tax rate of 18.0% (2019 - 20.0%)	11,710	18%	17,242	20%
Effect of non-deductible expenses/(non-taxable income), net	(2,907)	(4%)	(4,231)	(5%)
Total effective tax expense and effective tax rate	8,803	14%	13,011	15%

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 18% (2019: 18%).

	2020	2019
	AMD'000	AMD'000
At 1 January	813	3,687
Tax expense recognized in profit or loss	144	(2,874)
At 31 December	957	813

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities during the period are shown below.

	Balance as at 31.12.2019	2020 recognized in profit or loss	Balance as at 31.12.2020
Deferred tax assets, including	900	150	1,050
In terms of created reserves	900	150	1,050
Deferred tax liabilities, including	5	(6)	(1)
In terms of property and equipment	(87)	(6)	(93)
Net deferred tax asset/(liability)	813	144	957

	Balance as at 31.12.2018	2019 recognized in profit or loss	Balance as at 31.12.2019
Deferred tax assets, including	778	122	900
In terms of created reserves	778	122	900
Deferred tax liabilities, including	5	(92)	(87)
In terms of property and equipment	5	(92)	(87)
Net deferred tax asset/(liability)	783	30	813
Tax loss carried forward	2,904	(2,904)	-
Total net deferred tax asset/(liability)	3,687	(2,874)	813

8. Cash and cash equivalents

Cash and cash equivalents as at the end of the year are presented below:

	2020 AMD'000	2019 AMD'000
Cash at bank	16,255	28,199
	16,255	28,199

9. Financial assets at fair value through profit or loss

	2020 AMD'000	2019 AMD'000
Fund units	171,967	97,965
	171,967	97,965

10. Intangible assets

	Software AMD'000
Cost	
At 1 January 2019	-
Addition	4,000
At 31 December 2019	4,000
At January 2020	4,000
At 31 December 2020	4,000
Accumulated amortisation	
At 1 January 2019	-
Amortisation charge	(168)
At 31 December 2019	(168)
At 1 January 2020	(168)
Amortisation charge	(400)
At 31 December 2020	(568)
Net book value	
At 1 January 2019	-
At 31 December 2019	3,832
At 31 December 2020	3,432

11. Other assets

	2020 AMD'000	2019 AMD'000
Trade receivables from customers	2,921	56,473
Other	1,385	4
	4,306	56,477

12. Provisions

	2020 AMD'000	2019 AMD'000
Opening balance	4,500	3,889
Accruals	3,101	2,674
Utilised in year	(1,767)	(2,063)
Closing balance	5,834	4,500
Vacation leave	4,334	3,000
Audit	1,500	1,500

13. Share capital and reserves

Issued share
The declared, issued and outstanding share capital consists of 80,000 ordinary shares (80,000 in 2019). As of December 31, 2020, the nominal value of the share was 1,000 drams (1,000 drams in 2019).

Holders of ordinary shares have the right to receive the declared dividends and to vote at the General Meetings of the Company - one share by one vote.

Dividends
Dividend payable are limited by the amount of the maximum retained earnings of the Company as defined by the legislation of the Republic of Armenia.
During 2020, the Company declared and paid dividends of 40,932 (note 14) thousand AMD (during 2019: 0 AMD).

Reserves

The Company established a reserve capital target at 15% of the share capital for covering future losses and makes 5% transfers from the annual net profit each year until the amount reaches the mentioned target according to requirements of RA Law on "Joint companies". The Company has made cumulative 2,800 thousand drams as at the end of 2020 (1,650 thousand dram as at the end of 2019).

14. Reconciliation of cash and non cash flows from financing activities

Ultimte beneficiary of the Company is Mr. Nerses Sarinian (100% shareholder).
According to board decision dividend was distriubuted to the only shareholder based on profit of the year, out of which 40,000 thousand drams was set off against the borrowing provided to shareholder and 932 thousand drams was withhold as income tax and paid to state budget.

	Loans and Borrowings AMD'000
As at 1 January 2020	-
Cash flows	
Addition of financial assets during the year	40,000
Non-monetary flows	
Set off financial asset with dividend payable	(40,000)
As at 31 December 2020	-

15. Related party transactions

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. ultimate controlling party of 100% shares of the Company is Nerses Sarinyan.

Transactions with related parties at the end of the reporting period are as follows:

Key Management Personnel Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Company's Director. The costs related to remuneration of key management personnel are presented below.

	2020 AMD'000	2019 AMD'000
Salary, other compensation	6,048	5,184

16. Contingent Liabilities

As of December 31, 2020 the Company had no liabilities related to equity investments (as well as, as of December 31, 2019)

As of December 31, 2020 the Company has provided no guarantees regarding repayment of liabilities of any party (the same applies to 31.12.2019)

As of 31 December 2020 there were no legal actions against the Company (the same applies to 31.12.2019)

17. Events after the reporting period

The Company declared and paid dividents at amount of 42,105 thousand AMD at 30 March 2021.

18. Accounting policy

Income from main activity

Revenue from trust management services is recognized on a regular basis over the management period based on the formula of remuneration for the management service and the results for that period.

Company revenue from the fund management services is recognized on quarterly basis and calculated base on net asset values of funds.

Asset management and administration fees relate to fees earned on fiduciary activities where the Company holds or invests assets on behalf of its clients, and provides other asset-based financial services. These fees are based upon daily balances of client assets invested in these funds. The fair values of client assets included in funds are based on quoted market prices and other observable market data.

Management fees are recognized on the basis of applicable service agreements, as a rule, in time proportions. Asset management fees in connection with investments are recognized proportionally during the service provision period.

Foreign currency transactions

Transactions in foreign currency are converted into the functional currency at the closing exchange rate as of the day of the transaction, and at the average exchange rate announced by the CBA in case of closing price absence.
Monetary assets and liabilities in foreign currency are converted into the functional currency at the exchange rate as of the last day of reporting period.
Non-monetary assets and liabilities in foreign currencies that are measured at fair value are recalculated at the current exchange rate at the date the fair value of the functional currency is determined.
Exchange differences arising from the foreign currency items account are recognized in profit or loss as net gains/losses on foreign exchange differences, except for financial instruments measured at fair value through profit or loss that are recognized at fair value, the element of net profit or loss arising from the revaluation of financial instruments measured through profit or loss.

Financial instruments

The Company recognizes the financial assets and liabilities in the statement of financial position when it becomes a party to the financial instrument contract. Regular way purchases and sales of financial assets and liabilities are accounted for at the end of the reporting period. Regular way purchases or sales of financial instruments are the purchase or sale of financial assets that require delivery of the assets within the time frame established generally by regulation or convention in the marketplace concerned.
Financial assets or liabilities are initially measured at fair value. In the case of financial assets or liabilities that are not classified in the group of financial instruments measured at fair value through profit or loss, the transaction costs are added (or removed) to the fair value, which are directly attributable to the purchase or issue of a financial asset or liability. Transaction costs that are directly attributable to acquisition of financial assets or financial liabilities "measured at fair value through profit or loss" are recognized immediately in profit or loss.

Financial assets

Financial assets are classified in the following categories: (a) financial assets measured at fair value through profit or loss (FVTPL);
(b) financial assets measured at fair value through other comprehensive income (FVOCI);
c) financial assets measured at amortized cost.
The classification depends on the nature of the cash flows resulting from the financial assets and the business model, under which the asset is held and designated at the time of initial recognition.

Financial assets measured at fair value through profit or loss.

Financial asset is classified as "measured at fair value through profit or loss" if it is classified neither as measured at amortized cost (as described below) nor as measured at FVOCI (as described below). Additionally, at initial recognition, the Company may irrevocably designate any financial asset (which meets the criteria for being measured at amortized cost or at FVOCI) as measured at FVTPL, if this eliminates or essentially reduces the accounting mismatch that could otherwise have arisen.

A financial asset is classified as measured "at fair value through other comprehensive income" (FVOCI) if:

- It is held under a business model, which aims at collecting contractual cash flows and selling financial assets; and
- At initial recognition, it forms a part of the portfolio of certain financial instruments managed jointly by the Company and has a realistic possibility of short-term profit making; or

- Its contractual terms give rise to cash flows on the specified dates, which are solely interest payments on principal and outstanding principal.

A financial asset is classified as measured "at amortized cost" if it complies with the following two conditions and has not been designated as measured at FVTPL:

• It is held under a business model, which aims at holding assets to collect contractual cash flows; and
• Its contractual terms give rise to cash flows on the specified dates, which are solely interest payments on principal and outstanding principal.

Financial assets, which are debt instruments and are not classified as measured at FVPOL, are subject to impairment test using the expected credit loss model. According to this model, a credit loss provision should be recognized in the amount of expected credit losses (ECL) during 12 months after the reporting date. However, if the instrument's credit risk has significantly increased since its initial recognition, the provision should be recognized for the whole life of the instrument in the amount of ECL.

Financial liabilities

Financial liabilities are classified as measured "at fair value through profit or loss" (FVTPL) or as measured "at amortized cost".

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.
The estimated useful lives for the current and comparative periods are as follows:

Computer equipement - 1-5 years
Household and office equipment, other fixed assets - 5-8 years.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Softwares- 10 years.

Deferred taxation

The amount of the deferred asset or liability is determined using tax rates that are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events and it would appear, that the Company will be required to meet the liability and the amount of the liability can be assessed accurately.

Securities purchased and redeemed under the REPO agreement

Securities received under REPO agreements shall be credited off-balance sheet as collateral security. Amounts paid for securities received under repurchase agreements are credited as secured loans. Interest earned on ***that*** basis is recognized on an accrual basis in profit or loss and is included in other operating income. Securities issued under REPO agreements are accounted for in their balance sheet. The amounts received for securities issued by the REPO agreements are recorded as received loans. Interest paid on them is recognized on an accrual basis in the profit or loss as interest expenses.

Annex A. Fair Value measurement disclosures

The following table sets out the valuation techniques used in the determination of fair values including the key unobservable inputs used and the relationship between unobservable inputs to fair value.

Item	Fair value, AMD'000	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Fund units	171,967	Units measured at fair value of respective funds as reporting date published by the Funds.	Level 2	
Trade payables	44	The carrying amount of short term (less than 12 months) payable approximates its fair values.	Level 3	N/A
Trade receivables	2,921	The carrying amount of short term (less than 12 months) receivable approximates its fair values.	Level 3	N/A